

**Exhibit 6S**

**Excerpts of the Expert Report of Charles Moore (City Ex. 464)**

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

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In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
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**EXPERT REPORT OF CHARLES M. MOORE, CPA, CTP, CFF**

**A. Introduction**

**1. Scope of Engagement**

I have been retained by the City of Detroit (“Detroit” or the “City”) as an expert in advising municipal and corporate entities on organizational turnarounds and restructuring, including operational and financial revitalization. Conway MacKenzie, Inc. (“CM” or the “Firm”) was engaged by the City in January 2013. I have led the Firm’s engagement since that time. As the operational restructuring advisor for the City, my primary responsibility has been assisting the City in evaluating, developing, negotiating and executing the short- and long-term restructuring actions the City must take in order to achieve improved and adequate levels of services, structural cost savings, enhanced revenue generation, and deficit elimination. I, along with other CM professionals, have worked closely with the City and its other advisors, both prior to,

software system in October 2013, which is expected to “go live” in September 2014. This system is utilized in 20 of the 22 cities within Michigan that levy an income tax. In order to improve customer service and income tax collections, investment in employees and technology are required. The Income Tax Division Organizational Efficiency Investment contemplates spending \$12.2 million prior to cost savings of \$10.4 million and additional revenue of \$40.5 million, as described below:

- \$7.0 million in incremental costs related to wages, benefits and training primarily related to creating a more robust Compliance/Audit function.
- \$5.2 million in incremental costs related to a new income tax software system including annual maintenance costs over the course of 10 years. The new income tax software system will provide automation in order to reduce certain staff and allow the Division better reporting capabilities.
- \$10.4 million in cost savings primarily related to improved processes and the implementation of the new income tax software system. Activities currently performed by a third-party vendor including interfacing with tax return imaging vendors in addition to non-filer analysis in comparison to IRS database, will be insourced, resulting in estimated savings of \$9.2 million. Additionally, the City will save \$1.2 million from headcount reductions due to automating the current manual process for taxpayer correspondence.
- \$40.5 million in incremental revenue from various initiatives. Several initiatives are currently in process including: non-filer project, Income Tax Task Force, Small Claims Court and discovery of new taxpayers. Combined, these efforts are anticipated to yield \$30.5 million in additional revenue. The City’s Income Tax Division has also identified approximately \$42.0 million of unpaid tax obligations that have not been paid, but in

which the City has received a tax return. The City is in the process of engaging a third party collection agency and the Reinvestment Initiative assumes \$10.0 million will be collected, net of commission.

### *Purchasing Division*

The Purchasing Division is responsible for procuring goods and services for departments throughout the City. The Organizational Efficiency Initiatives include investment totaling \$5.7 million for staffing, training and technology. As a result of this investment, it is expected that the Purchasing Division will achieve savings on City-wide purchases totaling \$36.0 million. A summary of the Organizational Efficiency Initiatives that will impact the Purchasing Division is as follows:

- \$4.7 million in incremental costs for wages, benefits and training. The division plans to hire five employees addressing the under-staffing in the Division and establishing a contract management function. These employees will allow the division to focus on specific commodities, develop expertise in these areas to improve cost saving opportunities and to ensure that vendors of the City are in compliance with contracts.
- \$1.0 million in incremental costs to implement a software application (inclusive of maintenance) to procure goods and services by reaching vendors on a national scale to drive additional competition that will allow for improved pricing and service opportunities on future goods and services.
- \$36.0 million in savings related to General Fund (excluding Grants, Detroit Water and Sewerage Department and non-General Fund subsidized Enterprise Funds) purchases. The estimated savings assumes on approximately \$100.0 million of purchases of 2% per year for fiscal years

# Exhibit 6

**City of Detroit**  
**Ten-Year Plan of Adjustment**  
**Restructuring and Reinvestment Initiatives - Finance Department Detail**

**Limitations:**

The following package represents a summary of our findings and should not be used for any purpose other than that for which it has been designated.

This package is confidential and is not to be distributed to or shared with any party who has not received it directly from Conway MacKenzie, Inc. ("Conway MacKenzie"). Conway MacKenzie, including its officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates does not make any representation or warranty, express or implied, with respect to the information contained herein and we hereby expressly disclaim any such representation or warranty. Conway MacKenzie assumes no responsibility with respect to the accuracy or completeness of the information contained herein and shall have no obligation to update or correct any of the information. Conway MacKenzie neither owes nor accepts any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damage or lost profits) or expense of whatsoever nature which is caused by, or alleged to be caused by, the use of this presentation or which is otherwise consequent upon the gaining of access to this presentation.

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants. Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the Company or any financial or other information or the Company's internal control.

This package also includes certain estimates and projections that are inherently subject to significant economic, competitive and other uncertainties and contingencies. No representation, express or implied, is made as to the accuracy or completeness of such estimates or projections or of the Company's ability to achieve such projections. Because events and circumstances frequently do not occur as expected, actual results may vary materially from the estimates and projections.

By accepting this package, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations.

**City of Detroit**
**Ten-Year Plan of Adjustment**
**Restructuring and Reinvestment Initiatives - Executive Agencies**
**Finance Department - Income Tax**
*(\$ in millions)*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
<b>Revenues</b>											
1. Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2. a. Increased Collection Rate	1.0	3.0	3.1	3.3	3.3	3.3	3.3	3.3	3.3	3.3	30.5
3. b. Collection of Past Due	1.5	3.0	3.0	2.5	-	-	-	-	-	-	10.0
4. Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5. Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-	-
7. <b>Total Revenues</b>	2.5	6.0	6.1	5.8	3.3	3.3	3.3	3.3	3.3	3.3	40.5
<b>Expenditures</b>											
8. Permanent Labor	-	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(3.5)
9. Professional & Contract Services	0.1	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	9.0
10. Labor Costs / Service Contracts	0.1	0.8	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.5	5.6
11. Active Benefits	-	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.6)
12. Training	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
13. Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14. Utilities	-	-	-	-	-	-	-	-	-	-	-
15. Purchased services	-	-	-	-	-	-	-	-	-	-	-
16. Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17. Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18. Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19. Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20. Maintenance	-	-	-	-	-	-	-	-	-	-	-
21. All Other	-	-	-	-	-	-	-	-	-	-	-
22. <b>Total Operating Expenditures</b>	0.1	0.7	0.6	0.3	0.3	0.3	0.3	0.3	0.2	0.2	3.4
23. <b>Total Operating Surplus (Deficit)</b>	2.6	6.7	6.7	6.2	3.6	3.6	3.6	3.6	3.6	3.6	43.9
<b>Reorganization / Investment</b>											
24. Technology Infrastructure	(0.1)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(5.2)
25. Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26. Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27. Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28. <b>Total Reorganization / Investment</b>	(0.1)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(5.2)
29. <b>Total Surplus (Deficit)</b>	\$ 2.5	\$ 5.0	\$ 6.3	\$ 5.7	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	\$ 3.2	38.8
30. <b>Incremental Headcount (FTE)</b>	-	2	2	8	8	8	8	8	8	8	8